



# What's New for Illinois Income Tax

## Informational Bulletin

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### To: All Income Tax Preparers

This bulletin is a summary of changes made to the 1999 Illinois Income Tax booklets, forms, and schedules. The bulletin also includes information about two new business income tax schedules.

### What changes have been made to the 1999 Illinois Income Tax booklets?

The income tax booklets include the following changes:

- Illinois resident taxpayers, receiving an *IL-1040 Individual Income Tax Booklet* in the mail, will have the option to file electronically through I-File, PC retail software, e-File, or TeleFile.
- Nonresident taxpayers, receiving an *IL-1040 Individual Income Tax Booklet* in the mail, will have the option to file electronically through e-File or PC retail software.
- Booklets containing *Form IL-1041, Fiduciary Income and Replacement Tax Return*, will no longer be mailed. Forms and instructions are available by request.

### What changes have been made to the 1999 Illinois Income Tax forms?

The income tax forms include the following changes:

- Taxpayers completing a paper *Form IL-1040, Individual Income Tax Return*, **must** write their Social Security number at the top of their form before completing their return.

- Taxpayers using a tax preparer to complete their *Form IL-1040, Individual Income Tax Return*, **must** check the box at the bottom of Page 2 if they want to receive a booklet in the mail next year.
- A Personal Identification Number (IL-PIN) is preprinted on the *Form IL-1040, Individual Income Tax Return*, in all preprinted individual income tax booklets. The IL-PIN serves as the taxpayer's signature. Taxpayers **must** use this IL-PIN to file their 1999 return through the Internet, PC retail software, and TeleFile.
- Taxpayers and their dependents will receive an increased standard exemption allowance on their *Form IL-1040, Individual Income Tax Return*. The standard exemption allowance for tax year 1999 is \$1,650.
- Taxpayers filing their *Form IL-1040, Individual Income Tax Return*, electronically through I-File, PC retail software, e-File, or TeleFile, will have the opportunity to deposit their refund directly into their checking or savings account.
- Taxpayers filing their *Form IL-1040, Individual Income Tax Return*, with an amount due can now pay by phone using a credit card.
- On *Form IL-1120, Corporation Income and Replacement Tax Return*, an attorney-in-fact for an interinsurer or a reciprocal insurer, who has made an Internal Revenue Code (IRC), Section 835, election with respect to the attorney-in-fact is



allowed to subtract the excess, if any, of the income received from the insurer over the deductions allocable to that income (effective for tax years ending on or after July 20, 1999).

- The Illinois net loss deduction (NLD) provisions are decoupled from the IRC, Section 172.

The change to this deduction is effective for loss years ending on or after December 31, 1999, and affects

- ▶ Form IL-1120, Corporation Income and Replacement Tax Return,
- ▶ Form IL-1041, Fiduciary Income and Replacement Tax Return,
- ▶ Form IL-1065, Partnership Replacement Tax Return, and
- ▶ Form IL-1120-ST, Small Business Corporation Replacement Tax Return.

- Taxpayers are allowed to subtract wages for which they claimed the federal Jobs Tax Credit (nondeductible under IRC, Section 280C).

This change is effective for tax years ending on or after August 13, 1999 and affects

- ▶ Form IL-1040, Individual Income Tax Return,
- ▶ Form IL-1120, Corporation Income and Replacement Tax Return,

- ▶ Form IL-1041, Fiduciary Income and Replacement Tax Return,
- ▶ Form IL-1065, Partnership Replacement Tax Return, and
- ▶ Form IL-1120-ST, Small Business Corporation Replacement Tax Return.

- Taxpayers filing *Form IL-1120, Corporation Income and Replacement Tax Return*, are allowed to subtract the losses incurred that were not deductible pursuant to IRC, Section 832(b)(5)(B)(i) (effective for tax years ending on or after August 13, 1999).

- The manner in which patents, copyrights, trademarks, and similar items of intangible personal property are treated changes for Illinois sales factor purposes.

In addition, there is a change in the weighting of the three-factor apportionment formula for taxpayers who apportion their business income.

These changes are effective for tax years ending on or after December 31, 1999, and they affect

- ▶ 1999 Form IL-1120, Corporation Income and Replacement Tax Return,
- ▶ Form IL-1065, Partnership Replacement Tax Return,

- ▶ Form IL-1120-ST, Small Business Corporation Replacement Tax Return,
- ▶ Form IL-1120-X, Amended Corporation Income and Replacement Tax Return, and
- ▶ Form IL-990-T, Exempt Organization Income and Replacement Tax Return.

## **What changes have been made to the 1999 Illinois Income Tax schedules?**

The income tax schedules include the following changes:

- The Economic Development for a Growing Economy (EDGE) Tax Credit is a new credit available to taxpayers who have entered into an agreement with the Department of Commerce and Community Affairs (DCCA) under the Economic Development for a Growing Economy Tax Credit Act.

This new credit is effective for tax years beginning on or after January 1, 1999, and affects

- ▶ Schedule 1299-A, Tax Subtractions and Credits (Partnerships and S Corporations),
- ▶ Schedule 1299-C, Income Tax Subtraction and Credits (Individuals), and
- ▶ Schedule 1299-D, Income Tax Credits (Corporations and Fiduciaries).

- The manner in which patents, copyrights, trademarks, and similar items of intangible personal property are treated changes for Illinois sales factor purposes.

In addition, there is a change in the weighting of the three-factor apportionment formula for taxpayers who apportion their business income.

This change is effective for tax years ending on or after December 31, 1999, and affects

- ▶ Form IL-1041, Schedule NR, Nonresident Computation of Fiduciary Income,
- ▶ Schedule UB, Combined Apportionment for Unitary Business Group, and
- ▶ Form IL-1040, Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax.

- The Research & Development Credit may be passed through to partners and shareholders, and affects

- ▶ Schedule 1299-A, Tax Subtractions and Credits (Partnerships and S Corporations),
- ▶ Schedule 1299-C, Income Tax Subtraction and Credits (Individuals), and
- ▶ Schedule 1299-D, Income Tax Credits (Corporations and Fiduciaries).

### **What new schedules have been developed for tax year 1999?**

We have developed a new *Illinois Schedule INS* and a new unitary *Illinois Schedule UB/INS*.

A new subsection has been added to the Illinois Income Tax Act (IITA) that limits the combined income and replacement tax liabilities of a "foreign insurer" (*i.e.*, an insurance company domiciled in another state). This subsection is effective beginning with tax years ending on or after December 31, 1999, and ending with tax years ending on or before December 31, 2000.

The new schedules have been developed for foreign insurers to compute the limit on their combined tax liabilities.

### **What do I need to note for tax year 2000**

For tax year 2000, you need to note that

- the new exemption allowance changes the exemption calculation lines on the withholding tax forms.
- Withholding agents need to adjust the calculations they use to figure the correct amount of Illinois Income Tax to withhold.

For more information, see Booklet IL-700, Illinois Withholding Tax Guide, and Booklet IL-700-T, Illinois Withholding Tax Tables.

- taxpayers and their dependents will receive an increased standard exemption allowance on their *Form IL-1040, Individual Income Tax Return*, in year 2000. The standard exemption allowance will be \$2,000.
  - taxpayers may take a credit on their 2000 *Form IL-1040, Individual Income Tax Return*, for education expenses equal to 25 percent of the "qualified education expenses" for their family. "Qualified education expenses" are costs greater than \$250 that the taxpayer paid for tuition, book fees, and lab fees at the school where their dependents, attending kindergarten through 12th grade, are enrolled. The credit cannot exceed \$500 per family and cannot exceed the total tax.
- We will include complete information about this credit in next year's booklet.
- the apportionment factor for individuals and businesses is figured using only the sales factor (for tax years ending on or after December 31, 2000).